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C O N F I D E N T I A L SECTION 01 OF 03 LISBON 000066

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TREASURY FOR OFAC
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TAGS: [PINR](#) [ECON](#) [EFIN](#) [EUN](#) [PGOV](#) [PREL](#) [IR](#) [PO](#)

SUBJECT: PORTUGAL: ACTION REQUEST FOR GUIDANCE ON PROPOSAL
TO ESTABLISH BANKING RELATIONSHIP WITH IRAN

REF: A. LISBON 52
[IB](#). 09 LISBON 146

Classified By: XXXXXXXXXXXXXXX for reasons 1.4(b,d).

¶1. (U) This is an action request. See para 12.

¶12. (C/NF) Summary: In April 2009, officials of Millennium BCP, Portugal's leading private bank, visited Iran at the invitation of the Iranian Embassy in Lisbon and met with the Central Bank and other entities in the financial sector to discuss Iran's interest in establishing a business relationship with Millennium. On February 5, Millennium Executive Board Chairman Carlos Santos Ferreira discussed the proposal with Poleconoff and its possible benefit to the USG. While he claimed that the costs could outweigh the benefits to Millennium, Ferreira is willing to establish a relationship with Iran to help the USG track Iranian assets and financial activities. Millennium has consulted with the Bank of Portugal and senior government officials, and would like our views on its proposed relationship with Iran and Washington's interest in tracking Iranian accounts in Portugal. We request Washington guidance; our recommendation is that Millennium not pursue the relationship. However, given that Ferreira may do so regardless of USG recommendations, it might be prudent to maintain open channels of communication with Ferreira. Post will track developments and discourage deeper relations with Iran. (See para 12.) End Summary.

¶13. (C/NF) On February 5, Poleconoff met with Carlos Santos Ferreira, Chairman of the Executive Board of Millennium BCP (formerly the Portuguese Commercial Bank), at the request of Ferreira's advisor who is a longtime contact of the Embassy. Ferreira discussed a proposal by the Iranian banking sector to establish a relationship with Millennium to further trade and commercial opportunities. He noted that Iran has other options in Europe but may be interested in Portugal for its less restrictive regulatory environment. (Iran already has relations with various European banks, including HSBC, Deutsche Bank, Danske, and Banque Commercial de Placement.) Ferreira insisted that while the costs of the Iranian proposal could outweigh the benefits to Millennium, the bank would be open to establishing a relationship with Iran in order to help the USG track the financial activities of the Iranian government.

¶14. (C/NF) Early last year, the Iranian Embassy in Lisbon contacted Ferreira, who had previous contact with that embassy while serving as Chairman of the Board of Directors of Oeiras Foundation (1987-1989), a state entity that he says sold munitions to Iran more than 20 years ago. Millennium

Bank advised Prime Minister Socrates and senior government officials, including the governor of the Bank of Portugal (Portugal's central bank), of Iran's interest in establishing a relationship with Millennium and having Millennium officials visit Iran for meetings.

¶5. (C/NF) In April 2009, a few weeks after Portuguese MFA Political Director Nuno Brito was in Tehran (Ref B), two Millennium officials -- Jose Joao Guilherme, member of the Executive Board of Directors who is responsible for the bank's international portfolio, and Duarte Pitta Ferraz, Head of the International Affairs Unit -- visited Iran for five days at the invitation of the Iranian Embassy in Lisbon. They met with senior representatives of the Central Bank, seven banks (including three private banks), the Organization for Investment, Economic, and Technical Assistance of Iran (OIETAI), and the Portuguese Embassy to discuss EU restrictions on Iran and potential business opportunities within those constraints. The banks expressed interest in establishing relations with Millennium in the traditional areas of trade and finance.

¶6. (C/NF) Based on the meetings and information provided by officials of the Iranian Central Bank and the Iranian Ministry of Finance and Economic Affairs, Millennium selected four priority banks for further consideration: the Export Development Bank of Iran (EDBI), Bank Tejarat, Bank Parsian, and EN Bank, which have SWIFT codes. The EU is currently restricted by UN sanctions from doing business with Melli Iran Bank and Saderat Iran Bank. According to Millennium officials, no other Iranian bank is subject to UN sanctions.

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In 2008 Iranian deposits in European banks totaled USD 46.7 billion, while foreign deposits in Iran decreased by USD 2.5 billion. France maintained a significant account, with USD 5.4 billion in Iranian banks. Iranian exports totaled USD 106 billion (80 percent from oil), while imports totaled U=H.QAfrica, and the Middle East. According to the report, EDBI told Millennium officials that Brazil is not overly concerned about respecting international sanctions since "independent countries can make independent decisions." (PROTECT)

¶8. (C/NF) Portugal has very few Iranian residents and very little trade with Iran. Portugal's trade with Iran totals less than 40 million euros per year, while Iranian oil represents about 9 percent of Portugal's oil imports. In January 2010, Brito told Under Secretary of State Burns that Portugal had no intention of furthering its economic relationship with Iran at this time. However, Portugal is keeping its options open for future investments (Ref A).

¶9. (C/NF) Millennium anticipates engaging in the following activities, which Ferreira insists are in compliance with EU banking laws and regulations and UN sanctions, if it were to agree to establish a relationsh/MQQ7#^QQQare not currently on any sanctions list and in accordance with the condition above; (3) undertake transactions on behalf of Iranian credit institutions with additional monitoring and oversight mechanisms to prevent money laundering and terrorism finance; and (4) continue to conduct, on a case-by-case basis, operations of support to client companies that export to Iran.

¶10. (U) Millennium BCP is Portugal's leading private financial group and among the top 100 in the world, with listings on more than 40 national and international stock markets. It ranks second in Portugal in terms of market share, credit, and client assets. (As of December 2008, it had 2.6 million clients and an estimated 22 percent market share.) Founded in 1985 as the Portuguese Commercial Bank, it now boasts the largest presence in Portugal with 918 branches nationwide. It also has branches in the U.S., Europe and Africa, including Poland, Greece, Mozambique, Angola, Romania, Switzerland, and Turkey. The Embassy has been a Millennium client since 1997. Despite the financial crisis and the weak Portuguese economy, the bank reported a 201 million euro profit in 2008. On February 10, it reported

a 12-percent increase in net profit in 2009, with 225 million euros, helped by the sale of a nearly 50 percent stake in its Angolan subsidiary. The GOP's state-run Caixa Geral de Depositos has a small stake (2.5 percent as of June 2009) in Millennium. A suspended member of the Millennium Executive Board of Directors is under investigation, along with other Portuguese political and business figures, for allegations of corruption and influence peddling in a private business deal, which does not involve the bank.

¶11. (U) Carlos Ferreira, Chairman of the Executive Board of Directors of Millennium since January 2008, has extensive experience in the banking industry. Previously, he served as Chairman of the Board of Caixa Geral de Depositos, Chairman of Caixa - Banco de Investimento, Chairman of Caixa Seguros, and Member of the Board of the Steering and Strategy Committee of Foment Invest, among other positions. He also served as Member of Parliament for the Socialist Party and Vice Chairman of the Parliamentary Committee on Security and Health (1976-1977), member of the management board of state-owned Airports and Aerial Navigation (ANA), member of the Tax Reform Commission, and Chairman of the Board of Directors of the Macau Airport Company. Born in Lisbon in 1949, Ferreira earned a law degree in 1971 from the Faculty of Law of Classical University of Lisbon and subsequently taught at his alma mater, as well as at the Faculty of Law at Portugal's Catholic University and the Faculty of Economics

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at the New University of Lisbon (1977-1988). He is a close contact of the Embassy and an influential member of the Portuguese banking sector. His son will soon be moving to New York to work for Deloitte Touche.

¶12. (C/NF) POST RECOMMENDATION/GUIDANCE REQUEST: Ferreira told us he would be willing to allow the USG to monitor the Iranian accounts in Millennium in a manner to be mutually agreed upon, and he seeks our views on such an arrangement. Post recommendation is that our basic response to Ferreira be that Millennium not pursue any relationship with any Iranian entities. However, it is quite possible that Millennium will pursue the relationship regardless of USG recommendations. Therefore, post recommends that we maintain open channels of communication with Ferreira in order to maintain some visibility on the Iranian accounts should Millennium go ahead and set them up. Post requests Washington guidance in responding to Ferreira's proposal, as well as views on Millennium's proposed relationship with Iran. While Ferreira did not explicitly say so, post believes that the Portuguese MFA is, at a minimum, aware of his approach to the Embassy. Ferreira is open to further communication with post should Washington need more information. Embassy ORA has cleared this cable.

For more reporting from Embassy Lisbon and information about Portugal, please see our Intelink site:

http://www.intelink.sgov.gov/wiki/portal:port_ugal
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